
**FISMA RECEIVABLES FINAL
AUDIT FINDING STATEMENT 2009**



Prepared By:
State of California
The Resources Agency
Department of Water Resources
Internal Audit Office

August 2009

RECEIVABLES

The receivables function at the Department of Water Resources (DWR) is primarily performed by two sections within Fiscal Services Division (FSD), with peripheral functions accomplished at various field locations. All receivables processes for the department ultimately flow through the FSD and SAP, the department's enterprise resource program. The State Water Project (SWP) Billing Analysis Section of FSD bills entities for water and power deliveries by analyzing billing information produced by the State Water Project Analysis Office (SWPAO). After the SWP Billing Analysis Section receives the billing information, it prepares invoices to send to the customers that receive the water and power deliveries. The Governmental Billing Section is responsible for six accounts receivable processes: Reimbursable Billings – Unscheduled Reimbursements, Employee A/R, Etc.; Water Master Billing; Maintenance Area Billing; Reimbursable Billings – Federal and General Fund Reimbursements; Dam Fees; and Reimbursable Billing/Local Project Assistance. The Cash Receipts Section receives the payments generated by the invoices and processes them.

The internal control objectives for the receivables cycle of the FISMA audit are:

- Procedures are established for recording and collecting receivables.
- Adequate separation of duties exists over the receivables function.
- Collection procedures assure appropriate action on outstanding accounts.
- Uncollectible accounts receive appropriate scrutiny prior to write-off and are subsequently accounted for.
- Account adjustments are reviewed, approved and supported by adequate description or documentation.

FINDINGS AND RECOMMENDATIONS

FINDING 1 A material amount of dam fees remains uncollected, dating as far back as 10 years.

Observation:

As of 6/8/2009, \$372,106.95 in past due dam fees from prior fiscal years were still uncollected. The Governmental Billing Section attributes the lack of collections to not having necessary information to attach a lien to the properties that are delinquent on the dam fees. A detailed summary follows:

Delinquent Dam Fees past due amounts as of
06/08/09

		Percentage of Total
6/30/1999 and prior	108,215.95	29.08%
Due Dec 1999	14,920.00	4.01%
Due Dec 2000	14,122.00	3.80%
Due Dec 2001	11,075.00	2.98%
Due Dec 2002	8,246.00	2.22%
Due Dec 2003	13,728.00	3.69%
Due July 2004	49,028.00	13.18%
Due July 2005	30,674.00	8.24%
Due July 2006	54,377.00	14.61%
Due July 2007	24,473.00	6.58%
Due July 2008	43,248.00	11.62%
	372,106.95	

Criteria:

Each department will develop collection procedures that will assure prompt follow-up on receivables.... (SAM 8776.6)

Cause:

Unknown. Possibly the large increase in the dam fees several years ago and other tax increases are causing more dam owners not to comply.

Effect:

Accounts Receivables are not being collected timely due to the landowners' nonpayment

Recommendation:

Have appropriate Fiscal Services Division and Safety of Dams (SOD) staff determine what information SOD needs to give FSD so that liens can be set up for those who have not responded to the initial billing or three collection letters.

DIVISION'S RESPONSE

State of California

California Natural Resources Agency

Memorandum

Date: July 20, 2009

To: Jeff Ingles, Chief
Internal Audits

Perla Netto-Brown, Chief
Division of Fiscal Services
From: Department of Water Resources

Subject: Response to the SAM 20060 Receivables Draft Audit Finding Statement 2009

We have reviewed the final draft Audit Finding Statement issued by the Internal Audit Office and we are providing the following response to the findings and recommendations described in the audit report.

FINDING: A material amount of dam fees remain uncollected, dating as far back as 10 years.

We agree with this finding. The General Accounting Branch staff will meet with the Division of Safety of Dams (DSOD) staff to work out a plan to implement a corrective course of action including placing a lien on the delinquent dam owner's property. If a lien is placed on the property, the property cannot be sold until the lien is paid. We will also work with DSOD staff to determine which delinquent accounts are no longer collectable and take action to write off those delinquent accounts.

It should be noted that the total amount uncollected for each billing year is less than one percent of each billing year's total generated revenue. We currently have approximately twenty annual dam fee customers out of six hundred and fifty-four who are habitual non-payers of the annual services provided. We will continue to take all reasonable actions to collect the Department's revenues from these annual fees.

SURNAME
DWR 155 (Rev 1/09)

J. Ingles
7/22/09

Netto-Brown
7/22/09